

Exhibit No:
Issues: OET-2, CHC-1, SS7-1
Witness: Carol Chapman
Type of Exhibit: Direct Testimony
Sponsoring Party: Southwestern Bell
Telephone, L.P., d/b/a/
SBC Missouri
Case No: TO-2005-0166

SOUTHWESTERN BELL TELEPHONE, L.P.,
d/b/a SBC MISSOURI

CASE NO. TO-2005-0166

DIRECT TESTIMONY

OF

CAROL CHAPMAN

Dallas, Texas
January 24, 2005

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Level 3 Communications, LLC's)
Petition for Arbitration Pursuant to Section 252(b))
Of the Communications Act of 1934, as Amended)
By the Telecommunications Act of 1996, and the) <u>Case No. TO-2005-0166</u>
Applicable State Laws for Rates, Terms and)
Conditions of the Interconnection with Southwestern)
Bell Telephone Company, L.P., d/b/a SBC Missouri)

AFFIDAVIT OF CAROL CHAPMAN

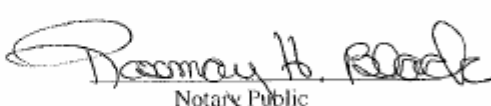
STATE OF TEXAS)
)
COUNTY OF DALLAS)

I, Carol Chapman, of lawful age, being duly sworn, depose and state:

1. My name is Carol Chapman. I am presently Associate Director-Regulatory Support for Southwestern Bell Telephone, L.P.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.


Carol Chapman

Subscribed and sworn to before me this 18th day of January, 2005.


Notary Public

My Commission Expires: 03-01-07

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Carol Chapman. My business address is Four SBC Plaza, Room 2070.06, Dallas, Texas 75202.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am an Associate Director – Local Interconnection Services for Southwestern Bell Telephone, L.P. I work in SBC Communications Inc.’s (“SBC’s”) 13-state Local Interconnection Marketing group on behalf of the SBC incumbent local exchange carriers (“ILECs”) throughout SBC’s 13-state region, including SBC Missouri.

Q. WHAT ARE YOUR CURRENT JOB RESPONSIBILITIES?

A. I am responsible, in conjunction with others, for researching, formulating, and communicating SBC’s positions regarding the provisioning of various unbundled network elements (“UNEs”) and other SBC wholesale offerings used by competitive local exchange carriers (“CLECs”). As part of my responsibilities, I monitor various state and federal regulatory proceedings, regulations and orders that may affect SBC’s 13-state Local Interconnection Marketing operations or current and future interconnection agreements with CLECs. In addition, I represent SBC’s Local Interconnection Marketing positions to regulatory bodies. The primary responsibilities of SBC’s Local Interconnection Marketing group are to develop and manage wholesale products and services; to support negotiations of local interconnection agreements with CLECs; to participate in state arbitration proceedings; and to guide compliance with the Telecommunications Act of 1996 (“1996 Act” or “Act”) and its implementing rules.

1 **Q. PLEASE DESCRIBE YOUR PREVIOUS WORK EXPERIENCE.**

2 A. Prior to my current position, I was Area Manager - Product Management. In that
3 position, I was responsible for researching, formulating and communicating SBC's policy
4 regarding the provision of UNEs used for advanced services to CLEC customers and
5 leading product teams responsible for the development of and ongoing enhancements to
6 various advanced service offerings.

7 My job responsibilities before that included developing, writing and/or modifying
8 the methods and procedures used by the SBC Southwest region¹ state employees to
9 process CLECs' loop requests. In this position, I was involved in the SBC Southwest
10 region states' initial roll-out of xDSL-loops and in the early development of the SBC
11 Southwest region states' frame due time ("FDT") hot cut process. I began my career with
12 SBC as Manager at the Local Service Center ("LSC") in Fort Worth, Texas. I was part of
13 the group that handled the initial roll-out of local number portability ("LNP") in the SBC
14 Southwest region states. In that position, I supervised service representatives who
15 processed CLEC requests for local telecommunications services and handled day-to-day
16 operational issues, questions, and concerns of the CLECs supported by those service
17 representatives.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. I provide support for SBC Missouri's positions on three disputed issues: OET Issue 2,
20 CHC Issue 1 and SS7 Issue 1.²

21 **II. OUT OF EXCHANGE TRAFFIC ISSUE 2**

¹ When used in this testimony, the term "SBC Southwest region states" refers to SBC's ILEC areas in Missouri, Arkansas, Kansas, Oklahoma, and Texas.

² Level 3 typically refers not only to the agreed issue numbers that appear in the left-hand column on the DPLs, but also to the tiers and issue numbers that Level 3 used in its petition for arbitration. SBC Missouri does not find Level 3's tiers and issue numbers helpful, so I do not refer to them in my testimony.

OET Issue 2: Should The OET Appendix Provide That In Those Areas That Are Outside SBC's Incumbent Territory, SBC Is Not Obligated To Provide UNEs, Collocation, Resale Or Interconnection Pursuant To Section 251 Of The Act?

Agreement Reference: OET Appendix, Section 2.3

Q. WHAT IS THE NATURE OF THIS DISPUTE?

A. SBC Missouri has proposed language in Section 2.3 of the Out of Exchange Traffic ("OET") Appendix that provides that SBC Missouri's obligations relating to the provision of UNEs, collocation, interconnection and resale are limited to SBC Missouri's incumbent local exchange areas and are set forth in other appendices, and thus do not pertain in the geographic areas covered by the OET Appendix. The OET Appendix sets forth SBC Missouri's obligations relating to traffic that originates or terminates with a Level 3 end user outside of SBC Missouri's incumbent local exchange areas. SBC Missouri's proposed language for Section 2.3 appropriately clarifies that SBC Missouri's UNE, collocation, interconnection and resale obligations are not applicable outside of SBC Missouri's incumbent local exchange areas, and thereby eliminates the potential for confusion regarding the applicability of these obligations.

Q. WHAT IS LEVEL 3'S POSITION ON THIS ISSUE?

A. Level 3 opposes SBC Missouri's language, and suggests that SBC Missouri's proposed language would somehow force Level 3 to waive all rights but the rights provided by Section 251 of the Act. That simply is not the case. SBC Missouri's proposed language, which I have set forth below in footnote 3,³ simply clarifies that other appendices in the

³ *Other Appendices to this Agreement set forth the terms and conditions pursuant to which SBC-13STATE agrees to provide LEVEL 3 with access to unbundled network elements (UNEs) under Section 251(c)(3) of the Act, Collocation under Section 251(c)(6) of the Act, Interconnection under Section 251(c)(2) of the Act and/or Resale under Section 251(c)(4) of the Act in SBC-13STATE's incumbent local exchange areas for the provision of LEVEL 3's Telecommunications Services. The Parties acknowledge and agree that SBC-13STATE is only obligated to make available UNEs and access to UNEs under Section 251(c)(3) of the Act, Collocation under Section 251(c)(6) of the Act, Interconnection under Section 251(c)(2) of the Act and/or Resale under Section*

ICA address the terms and conditions governing Level 3's access to UNEs, Collocation, Interconnection, and Resale as required by Section 251 (c)(3), Section 251 (c)(6), Section 251 (c)(2), and Section 251 (c)(4) of the Act, respectively, and that SBC Missouri (like other incumbent local exchange providers) is not required to provide any of those Section 251 products or services outside of its incumbent local exchange areas or for the provision of Level 3 services outside of SBC Missouri's local exchange areas.

Q. CAN YOU EXPLAIN THIS ISSUE FURTHER?

A. Yes. Consider SBC Missouri's collocation and UNE offerings. SBC Missouri is required to allow collocation within its central offices in its traditional incumbent exchange territory. If SBC Missouri were to build a new central office in order to operate as a CLEC outside of its incumbent local exchange territory, the collocation requirement would not apply to that SBC Missouri office any more than it would apply to any other CLEC. Similarly, if SBC decided to build new loop facilities outside of its incumbent local exchange territory in order to compete in another ILEC's territory, SBC would not be required to unbundle those new loop facilities. In the same manner, the provisions of Section 251(c)(2) of the Act that govern interconnection are designed to apply for interconnection established to provide service within SBC Missouri's incumbent local

251(c)(4) of the Act to LEVEL 3 in SBC-13STATE's incumbent local exchange areas. SBC-13STATE has no obligation to provide such UNEs, Collocation, Interconnection and/or Resale to LEVEL 3 for the purposes of LEVEL 3 providing and/or extending service outside of SBC-13STATE's incumbent local exchange areas. In addition, SBC-13STATE is not obligated to provision UNEs or to provide access to UNEs under Section 251(c)(3) of the Act, Collocation under Section 251(c)(6) of the Act, Interconnection under Section 251(c)(2) of the Act and/or Resale under Section 251(c)(4) of the Act and is not otherwise bound by any 251(c) obligations in geographic areas other than SBC-13STATE's incumbent local exchange areas. Therefore, the Parties understand and agree that the rates, terms and conditions set forth in SBC-13STATE's current Interconnection Agreement, and any associated provisions set forth elsewhere in LEVEL 3's current Interconnection Agreement (including but not limited to the rates set forth in this Agreement associated with UNEs under Section 251(c)(3) of the Act, Collocation under Section 251(c)(6) of the Act, Interconnection under Section 251(c)(2) of the Act and/or Resale under Section 251(c)(4) of the Act), shall apply only to the Parties and be available to LEVEL 3 for provisioning telecommunication services within an SBC-13STATE incumbent local exchange area(s) in the State in which LEVEL 3's current Interconnection Agreement with SBC-13STATE has been approved by the relevant state Commission and is in effect.

1 exchange area. SBC Missouri's language is necessary to ensure that these different types
2 of arrangements are treated appropriately.

3 **Q. WHY IS IT IMPORTANT TO INCLUDE A SEPARATE OET APPENDIX IN**
4 **THE INTERCONNECTION AGREEMENT?**

5 A. Although SBC Missouri is willing to support OET traffic in the manner described in the
6 OET Appendix, it is extremely important that its willingness to do so does not create the
7 impression that SBC Missouri has in any way agreed to extend its unbundling,
8 collocation, interconnection, and resale obligations outside of SBC Missouri's incumbent
9 local exchange areas.

10 **Q. HOW DOES THE INCLUSION OF A SEPARATE OET APPENDIX HELP TO**
11 **PREVENT FUTURE DISPUTES?**

12 A. The OET Appendix includes language that makes clear that SBC Missouri is willing to
13 include provisions in the agreement addressing instances in which Level 3 traffic
14 originates or terminates outside of SBC Missouri's incumbent local exchange areas, but
15 that in doing so, SBC Missouri has not agreed to expand its 251(c) obligations. It has
16 been the experience of the SBC ILECs that such explicit exclusionary language is needed
17 to prevent future disputes.

18 **III. COORDINATED HOT CUTS ISSUE 1**

19 **CHC Issue1: Whether The Prices For Coordinated Hot Cuts Should Be Based On**
20 **Forward Looking Economic Costs Approved By The Commission.**

21 **Agreement Reference: CHC Section 3.1, 3.2**
22
23

24 **Q. WHAT IS THE NATURE OF THE DISPUTE?**

25 A. The dispute concerns the prices that will apply if Level 3 requests optional coordination
26 for a hot cut. SBC Missouri's proposed language would provide that the work associated
27 with provisioning an unbundled loop would be priced at TELRIC-based rates, and that
28 any additional work associated with optional coordination requested by Level 3 would be

provided at labor rates set forth in SBC Missouri's access tariff. Level 3 opposes the application of those tariffed labor rates to the optional coordination work it can request.

Q. WHAT IS A COORDINATED HOT CUT ("CHC")?

A. When an end user switches service from SBC Missouri to a CLEC and retains its existing telephone number, both SBC Missouri and the CLEC must make changes in their networks to physically switch the service. A "hot cut" is the process, largely manual, whereby ILEC technicians disconnect the customer's loop, which was hardwired to the ILEC switch, and physically rewire it to the CLEC switch, while simultaneously, the requesting CLEC reassigns (or "ports") the customer's telephone number to the CLEC's switch.

Under the basic hot cut process (a *non-CHC request*) the CLEC indicates the start time for the telephone number to be ported by specifying a frame due time ("FDT") on the service order. When a CLEC uses this option, SBC Missouri does not contact the CLEC prior to beginning its work.

A CHC is an *optional* service, as agreed language in Section 2.1 of Appendix Coordinated Hot Cut expressly states, in which SBC Missouri technicians take extra time to ensure both companies perform the service cutover at the same time. On a *CHC request*, in addition to the work performed on an FDT request, SBC Missouri coordinates the hot cut with the CLEC and will not remove the translations from the SBC Missouri donor switch until SBC Missouri has received the CLEC's verbal instruction to begin. In some cases, this coordination effort may take very little time. In other cases, it can take a great deal of time. This may happen, for instance, when the CLEC is not ready at the originally requested time or if a large volume of orders is involved. The CHC process

1 provides a safety net to the CLEC in the event it is unable to complete its own work at the
2 originally requested time.

3 **Q. WHAT IS SBC MISSOURI'S POSITION ON THIS ISSUE?**

4 A. Coordination for hot cuts is an optional service available to Level 3 that requires SBC
5 Missouri to expend additional labor. SBC Missouri developed this process to
6 accommodate CLECs, and it devotes substantial technician time to perform this work.
7 SBC Missouri is willing to provide this option to Level 3, but Level 3 must compensate
8 SBC Missouri for the additional work required for this type of optional coordination.
9 SBC Missouri should be able to recover the labor costs associated with providing this
10 service to CLECs from the cost-causing CLEC. Because the coordination service is
11 optional, SBC Missouri is not required to perform the work at the cost-based ("TELRIC")
12 rates that the 1996 Act imposes on required services, such as interconnection under
13 Section 251(c)(2) and the mandatory unbundling of network elements under Section
14 251(c)(3).

15 **Q. WHAT TYPE OF CHARGE DOES SBC MISSOURI PROPOSE?**

16 A. SBC Missouri simply proposes that Level 3 pay only for the additional labor associated
17 with the requested coordination. Level 3 would be charged the tariff labor rates based
18 upon the actual time required.

19 **Q. IS THE CHC CHARGE INTENDED TO COMPENSATE SBC MISSOURI FOR**
20 **THE COST OF PROVIDING AN UNBUNDLED LOOP?**

21 A. No. Whether Level 3 requests a coordinated hot cut or a non-coordinated hot cut, the
22 cost of providing the unbundled loop is included in the TELRIC-based charges for the
23 actual provisioning of the loop. If no coordination is requested, no additional
24 provisioning charges apply. (Normal service order charges would apply.) The additional
25 labor charge only applies if and when Level 3 requests optional coordination.

1 **Q. IS THE COST OF THE ADDITIONAL COORDINATION INCLUDED IN THE**
2 **COST OF PROVIDING AN UNBUNDLED LOOP?**

3 A. No. The non-recurring charges associated with the provisioning of an unbundled loop
4 that would apply under SBC Missouri's proposed language do not include the costs of
5 providing optional coordination to Level 3.

6 **Q. DID LEVEL 3 PROPOSE A DIFFERENT CHC RATE?**

7 A. No. Although Level 3 objects to SBC Missouri's charges for its coordination activities ,
8 it does not propose a rate of its own.

9 **Q. WHY IS THE RATE THAT APPLIES FOR THE COORDINATION ACTIVITY A**
10 **NON-TELRIC-BASED RATE?**

11 A. As explained above, the charges for coordination are not charges associated with the
12 provisioning of a UNE. The charges associated with the provisioning of the unbundled
13 loop *are* TELRIC-based. This is consistent with the requirements established by the
14 Federal Communications Commission ("FCC"). *See* 47 C.F.R. § 51.505(a). The CHC
15 charge is *not* a charge for a UNE. It is a charge for an optional service provided by SBC
16 Missouri's labor force. The rate that SBC Missouri intends to apply is an approved labor
17 rate from SBC Missouri's tariff. The FCC's rules do not require SBC Missouri to offer
18 its workforce on an unbundled basis or to price its workforce's services at TELRIC as
19 proposed by Level 3.

20 **Q. DOES LEVEL 3 DISAGREE WITH SBC MISSOURI'S POSITION THAT THE**
21 **COORDINATION ACTIVITY IS OPTIONAL?**

22 A. No, and that makes it hard to understand how Level 3 can claim that the rates for the
23 activity should be at TELRIC rates. Level 3 agreed to the following language in Section
24 2.1 of the CHC Appendix:

25 2.1 Coordinated Hot Cut (CHC) Service is an *optional* manual service
26 offering that permits **LEVEL 3** to request a designated installation or
27 conversion of service occurring at a specific time of day as specified by
28 **LEVEL 3** during, or after, normal business hours. (Emphasis added.)

1 **Q. WHY DO YOU SAY THAT LEVEL 3'S AGREEMENT THAT THE WORK IS**
2 **OPTIONAL MAKES IT HARD TO UNDERSTAND HOW LEVEL 3 CAN CLAIM**
3 **THE WORK SHOULD BE PERFORMED AT TELRIC RATES?**

4 A. Because it seems fundamental to me – and I have been dealing with UNE issues under
5 the 1996 Act for seven years – that TELRIC rates apply only to that which an ILEC is
6 required to do, and not to that which the ILEC is not required to do.

7 **IV. SS7 ISSUE 1**

8 **SS7 Issue 1: Should The Parties Compensate Each Other For SS7 Quad Links For IXC**
9 **Calls At Access Rates Or On A Bill And Keep Basis?**

10 **Agreement Reference: SS7 Section 2.1.1**
11
12

13 **Q. WHAT IS THE PURPOSE OF THE SS7 APPENDIX IN THIS**
14 **INTERCONNECTION AGREEMENT?**

15 A. SBC Missouri used to have an SS7 Appendix as part of its standard generic
16 interconnection agreement offering. The SS7 Appendix outlined the terms and
17 conditions under which SBC Missouri would offer CLECs unbundled access to SS7
18 signaling to facility-based CLECs (as opposed to SS7 signaling that was automatically
19 included with SBC Missouri's unbundled local switching ("ULS") offerings before SBC
20 Missouri's obligation to provide them was eliminated by the *USTA II decision*). The
21 FCC, however, in its *Triennial Review Order* ("TRO"), eliminated SBC Missouri's
22 obligation to provide SS7 signaling as an unbundled network element to facilities-based
23 providers. Consistent with the *TRO*, SBC Missouri no longer offers unbundled access to
24 SS7 via an SS7 Appendix. Instead, the SS7 Appendix now reflects the fact that Level 3
25 will provide its own SS7 signaling or obtain SS7 signaling available in SBC Missouri's
26 tariff.

27 **Q. DID THE FCC EXPLAIN WHY IT ELIMINATED THE REQUIREMENT THAT**
28 **ILECS PROVIDE UNBUNDLED ACCESS TO SS7 SIGNALING FOR**
29 **FACILITY-BASED CLECS?**

1 A. Yes. The FCC found in the *TRO* that CLECs are not impaired without access to an
2 ILEC's signaling networks. Specifically, the FCC stated (at *TRO* ¶ 544) that when an
3 ILEC is not providing unbundled local switching to a CLEC, "there are sufficient
4 alternatives in the market available to incumbent LEC signaling networks and
5 competitive LECs are no longer impaired without access to such networks as UNEs for
6 all markets." The FCC also specifically identified (at *TRO* ¶ 545) a number of
7 competitive providers of signaling services. The FCC found that "for competitive
8 carriers deploying their own switches, there are no barriers to obtaining signaling or self-
9 provisioning signaling capabilities and we do not require incumbent LECs to continue
10 offering access to signaling as a UNE under section 251(c)(3) of the Act." *Id.*

11 **Q. DOES SBC MISSOURI OFFER SS7 SIGNALING TO FACILITY-BASED CLECS**
12 **THAT PROVIDE THEIR OWN LOCAL CIRCUIT SWITCHING?**

13 A. Yes. CLECs may obtain access to SBC Missouri's SS7 offerings through its access tariff
14 offerings.

15 **Q. DOES LEVEL 3 SUGGEST THAT SBC MISSOURI IS OBLIGATED TO**
16 **PROVIDE FACILITY-BASED CARRIERS WITH UNBUNDLED ACCESS TO**
17 **SS7 SIGNALING?**

18 A. I do not believe so.

19 **Q. WHAT IS THE BASIC DISPUTE REGARDING SS7 ISSUE 1?**

20 A. SBC Missouri has proposed language that would establish that if Level 3 chooses to act
21 as its own SS7 service provider, SBC Missouri is willing to share the costs associated
22 with establishing SS7 quad links between SBC Missouri and Level 3 as long as those
23 quad links are only used for Level 3 *CLEC* calls (and not calls that are subject to
24 traditional access compensation). As explained in more detail in the testimony of SBC
25 Missouri witness Jeannie Harris, quad links are the mated pairs that connect SBC
26 Missouri's and Level 3's SS7 networks. Under the Bill-and-Keep arrangement

1 contemplated by SBC Missouri's proposed language, neither party would bill the other;
2 however, in order for this arrangement to work, the SS7 quad links must only be used for
3 local CLEC calls. Level 3's proposed language would allow the local SS7 quad links to
4 be used for calls that are subject to traditional access compensation.

5 **Q. HOW SHOULD SS7 SERVICE FOR CALLS THAT ARE SUBJECT TO**
6 **TRADITIONAL ACCESS COMPENSATION BE PROVISIONED AND BILLED?**

7 A. Calls that are subject to traditional access compensation should not be provisioned using
8 SS7 quad links that were established on a shared cost basis for the provision of *local*
9 calls. Instead, each party's tariff offerings will dictate the manner in which these calls are
10 handled. The FCC has found that SS7 is a competitive service offering, and it is
11 inappropriate for Level 3 to attempt to dictate the provisions of this SBC Missouri
12 federally tariffed access service in a bilateral arbitration.

13 **Q. IS IT REASONABLE TO REQUIRE SBC MISSOURI TO ADOPT AN SS7**
14 **BILLING METHODOLOGY THAT WOULD IMPACT SBC MISSOURI'S**
15 **COMPETITIVE SS7 OFFERING?**

16 A. No. Level 3's proposed language does not differentiate between local calls and
17 traditional access calls. Level 3's proposal ignores the fact that, as explained above, the
18 FCC has found that SS7 is a competitive offering. SBC Missouri is not obligated to offer
19 any SS7 service to Level 3. Although SBC Missouri has offered a Bill-and-Keep
20 arrangement for a "local only" SS7 arrangement, it is not required to do so. SBC
21 Missouri is certainly not required to offer its competitively offered SS7 access service in
22 the manner suggested by Level 3. If Level 3 wishes to use SBC Missouri's SS7 services
23 offered via SBC's federal access tariff, it must do so pursuant to the provisions of the
24 tariff. SBC's federally tariffed SS7 offering is not available in the manner proposed by
25 Level 3.

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 A. Yes.